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CURRENT INTELLIGENCE DIGEST

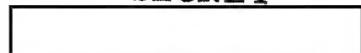
Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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SOVIET UNION

1. Moscow press needles French on violations of China's frontiers: All Moscow papers carried a 7 June Peiping TASS report that French aircraft are continually violating the air frontiers of China and international law. The article warned that the French Government must bear full responsibility for such hostile acts as bombing, strafing and reconnaissance, and for the murder of Chinese citizens and damage to Chinese property.

Ambassador Kennan notes that this appears to be the first time that the subject of the violation of China's frontiers by French aircraft has been given this much play in the Soviet press.

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EASTERN EUROPE

2. Finnish Communists to demonstrate on Korean anniversary:

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Comment: On 24 May the World Federation of Trade Unions published "an appeal to working people of the world asking them to declare the second anniversary of the Korean war . . . a day of solidarity with the heroic Korean people, a day of the defense of peace."

The Finnish Federation of Labor Unions has officially withdrawn from the WFTU; therefore any demonstration in Finland will be purely Communist with little labor support.

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3. Alleged story of Stalin interview reported spreading in Poland: The American Ambassador in Warsaw reports that the story of the alleged recent Stalin interview implying the Polish-East German frontier was a subject for negotiation with a "neutral Germany" has apparently spread in Poland.

The substance of the interview was not reported in the Polish press whose reactions have consisted of a flat denial of the report of the interview in the principal party organ, an editorial in another paper ridiculing the story and pointing out certain errors, and the printing of the verbatim text of the TASS denial of the report.

Despite the vehement Polish and Soviet denials, the 25X1 Ambassador believes the USSR's record of deceit and betrayal of Poland will doubtless cause some Poles uneasiness over the future status of the "recovered territories." [redacted]

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Comment: Recent Soviet notes have not hinted that the Polish-German border was subject to revision.

Spreading of the story in Poland, however, would undoubtedly cause the government uneasiness since it is contrary to numerous public reiterations by Polish and East German officials that the Oder-Neisse line is permanent. Moreover, the fact that Poland's Communist regime has continued to maintain control and administration of the "recovered territories" is one of its few actions which have gained genuine popular support.

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FAR EAST

4. Rhee supporter finds no evidence of Communist plot:
The US Military Attaché has been informed that Colonel "Snake" Kim, chief of the South Korean Army CIC and considered a loyal supporter of the President, told the ROK Acting Chief of Staff on 9 June that no evidence has been uncovered to link the 12 arrested Assemblymen with a Communist plot. Kim reported that Rhee is aware of this, but that a release would be difficult since the President would have to admit the original arrests were a mistake.

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Comment: This type of report seems out of character for Colonel Kim in view of his loyalties, and may be a maneuver of Rhee or his underlings.

5. US medium bomber downed by air-to-air rockets on Korean night mission: The US Far East Air Force reports that a B-29, which was lost on the night of 10 June over northwestern Korea, was hit by rockets fired by an enemy MIG-15 jet. A medium bomber was also lost due to unknown causes and a second one was seriously damaged, but returned to South Korea.

Far East Air Force observes that while other reports have been received of enemy use of air-to-air rockets in North Korea, this is the first instance of MIG-15's using rockets in combat and the first confirmed loss of a UN aircraft to enemy night action.

In regard to the 10 June night encounter, Far East Air Force says that "this attack was a well-planned, integrated effort, with seeming ground-to-air and air-to-air coordination" and that "the proficiency and aggressiveness of the Red attack may indicate the initiation of a concerted effort by well-trained Communist air and ground teams . . . to prevent UN night interdiction strikes."

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6. Letourneau discusses Indochina on eve of Washington visit: Minister-Resident Letourneau has suggested informally to an American official in Paris the establishment of two tripartite bodies, one to discuss the political aspects of Indochina's international role, and the other the military.

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The best the French can hope for, according to the Minister-Resident, is to hold on until "the general international situation has improved sufficiently for us to negotiate a settlement." The American Ambassador infers that this remark envisaged inclusion of Indochina in an over-all Far East settlement, but suggests that a definite exposition of French thinking, both on this question and the possibility of negotiations with Ho Chi Minh, be sought in discussions with Letourneau next week in Washington.

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Comment: As a preparatory step toward long-desired tripartite negotiations on Indochina some French officials in Saigon have recently suggested transforming their High Commission into a roving mission responsible for over-all supervision of French interests in Southeast Asia and the Pacific area.

There is still no confirmation of the many recent rumors that the French have been seeking to negotiate with Ho Chi Minh.

7. Tam appointment benefits Viet Minh: The US Consul in Hanoi believes that the creation of the Tam government has provided the Viet Minh with a highly exploitable propaganda tool for the recruitment of new personnel at a time when the military balance in Tonkin is delicate. The Tam appointment, widely regarded as a "major victory for the Viet Minh," has even "nauseated" the top French civilian representative and his staff.

The Consul observes that while another regime might have rallied considerable popular support and thus denied to the Viet Minh what the French could never deny by arms alone, the best that can be hoped from the Tam regime is that it will not too seriously harm the war effort. This, he emphasizes, is "a poor return for French blood and American money."

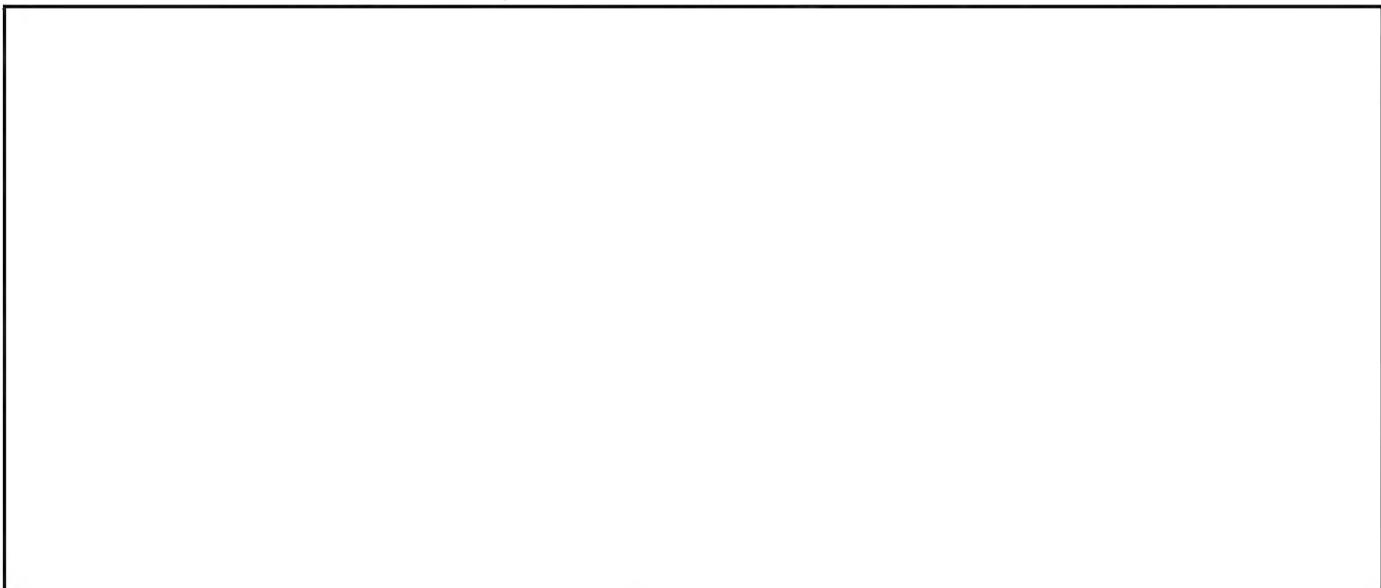
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Comment: Recent French clearing operations have resulted in heavy Viet Minh losses, and a concomitant drop in rebel morale has been reported. The recruitment of personnel and the psychological reconditioning of present forces are therefore of first priority. It appears probable that the atmosphere created by the Tam appointment will considerably further the realization of these Viet Minh goals.

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NEAR EAST-AFRICA

9.

Israel concerned by Jordanian political developments:
The American Ambassador in Tel Aviv reports that, although Israel considers King Talal's condition an internal Jordanian problem, the Israeli Government is following current political developments in Amman with interest and would consider any change in the status of Jordan a serious matter. [Redacted]

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Comment: Israel has previously hinted that any attempt by Iraq to form a union with Jordan or Syria would be regarded as a threat to Israel's security, and that in such an event Israel would not consider itself bound by the 1949 Armistice Agreements.

10.

French opposition to American capital in the Fezzan anticipated: American Minister Villard in Tripoli anticipates strong French opposition to any attempt by American capital to undertake economic development in the Fezzan. He points out that although the Fezzan is legally a province of Libya, the French now completely control the province as they have in the past.

Villard adds that the French have been reluctant to discuss the economic resources of the Fezzan, particularly in regard to possible oil and iron deposits. He believes that although Libya would welcome American enterprise in the Fezzan, it would not wish to offend the French. [Redacted]

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WESTERN EUROPE

11.

"Conference for Solution of German Problem" shifted from France to Denmark: The French Communist newspaper Humanite announced on 9 June that "after careful examination of the situation in Paris the Conference for the Solution of the German Problem" will be held in Denmark 13-15 June instead of in Paris as originally planned. The agenda calls for consideration of West Germany's agreements with the West and the "means of peacefully resolving the German problem in conformity with the interests of Germany and the security of its neighbors: unification, democratization, sovereignty, peace treaty."

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Comment: Although the Communists have tried to avoid open association with the conference, the meeting has been chiefly promoted by Communists and fellow travelers. Renewed agitation for a peace treaty could delay the ratification of the German agreements. This is believed to be the main purpose of the conference.

12.

Soviet trade harassing in Berlin slackened: Reports from the High Commissioner's office in Berlin show that Soviet officials are approving most of the trade permits submitted to them by West Berlin firms. Soviet interference with Berlin parcel post shipments has also been at a minimum in recent months.

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Comment: West German press reports also indicate that German interzonal trade, held up by the Allies during most of 1951 primarily in retaliation against the export permit and parcel post harassing, has recently resumed and is now "being carried through smoothly in both directions" amid German negotiations for increases in that trade.

Meanwhile a recent statement by Ulbricht implies future economic sanctions against Berlin. This could entail renewal of the type of measures applied in 1951 as well as the carrying out of more serious ones. One East German party leader is also reported to have warned that the East Germans would cut all roads to Berlin except the main Helmstedt autobahn and renew the parcel post interference.

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13. West German Senate decision may delay ratification of Allied-German treaties: Early West German ratification of the Bonn and Paris treaties has been imperiled by the German Senate's decision on 10 June that both treaties in their entirety require Senate sanction.

If Chancellor Adenauer is unable to win immediate Senate approval of the treaties, some delay will ensue since he will be forced either to appeal the Senate's decision to the Constitutional Court or get the decision arbitrated by a joint parliamentary committee. 25X1

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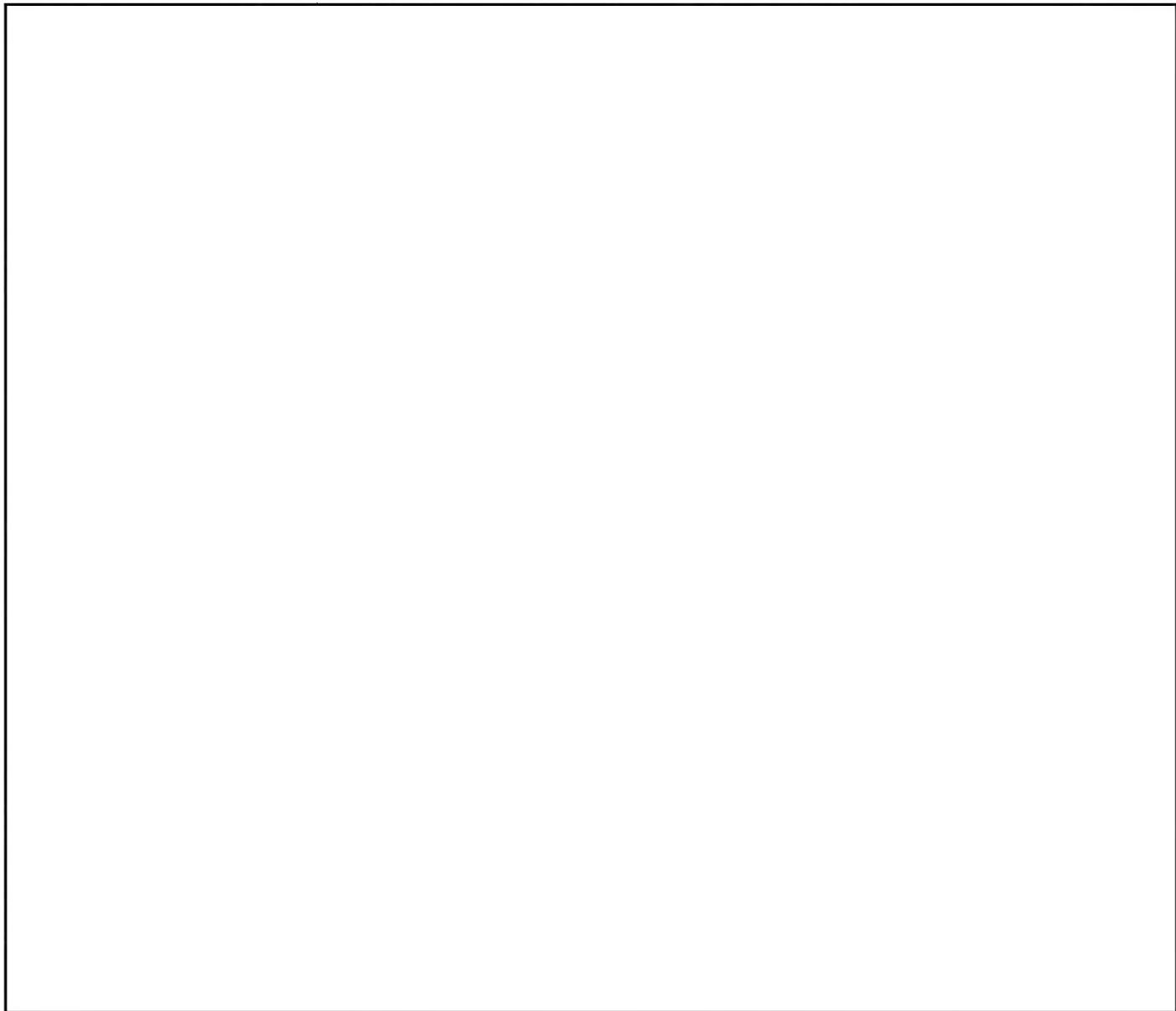
Comment: Previously Chancellor Adenauer had intended seeking upper house approval of only certain financial provisions in the treaties, leaving approval of the treaties as a whole to the lower house.

As matters now stand, Adenauer probably cannot get favorable upper house action unless the state government of Baden-Wuerttemburg is reconstituted in favor of the federal coalition, thus restoring his majority in the Senate.

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17. Bolivian tin nationalization appears more certain. At ceremonies swearing in the Tin Nationalization Study Commission, President Paz Estenssoro called on Bolivians to brace themselves for the "most transcendental and vital step since independence, namely nationalization, which is the principal goal and justification for the revolution." He discounted

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the operational problem and expressed belief that a solution could be found for the financial and commercial problems.

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Comment: This contrasts sharply with earlier descriptions of Paz' "moderate" attitude, and may indicate that the influence of extremist Minister of Mines Lechin still predominates.

The tin nationalization measures are to be applied only to the three principal producers, who control approximately 80 percent of Bolivian tin production.

18. "Anti-Communist terrorism" reported in Guatemala: Several persons are reported to have been killed after an attempt to seize a Guatemalan border garrison and simultaneous disturbances in a nearby small town. In other parts of the country, including the capital, attempts to dynamite hydro-electric plants have been reported. The Minister of the Interior announced that the government was in full control of the situation and charged that the disturbances were part of "a large scale terroristic plot . . . instigated by anti-Communists."

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Comment: Anti-government and anti-Communist groups are apparently becoming more active in Guatemala since the bitterly disputed agrarian reform bill was sent to Congress last month. While the anti-Communists' coordinating committee has eschewed violence, it has shown its inability to control the activities of its bolder members.

The garrison allegedly attacked is on the Honduran border. Early in the year prominent Guatemalan exiles were reported preparing an invasion from Honduras which would be coordinated with internal uprisings. The US Embassy in Honduras, however, found no evidence to substantiate these reports. It is possible that the current reports of anti-Communist terrorism are exaggerated by the government in an attempt to discourage disorders in the future.

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19. Venezuela reportedly attempting to provoke break with the USSR: Venezuelan authorities on 7 June refused entry to Soviet diplomat Yakushev and his wife, and detained them overnight despite Charge Krylov's attempts to intervene. The Venezuelan chief of protocol is reported to have said that if the USSR does not break relations as a result of the "evident insult," it will be clear that the Russians have some "impelling reason" for remaining.

Subsequently, the Venezuelan Foreign Office issued a communique that Charge Krylov and Attaché Aliabiev adopted an "aggressive, violent, disrespectful attitude" and that the Venezuelan Charge in Moscow has been instructed to request immediate withdrawal of those two men.

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Comment: Rumors that Venezuela would break relations with the USSR have cropped up periodically since mid-1949, but this is the first "incident" of any kind. The Venezuelan action bears a strong resemblance to the Cuban moves which preceded the break there last April. A decision to close the Caracas Embassy would leave only three Soviet diplomatic missions in Latin America -- in Mexico, Uruguay and Argentina.

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NEAR EAST - AFRICA

1. Iranian official predicts possible military coup: Prime Minister Mossadeq does not have the support of the Iranian public, the Senate, Majlis or the Shah, former Iranian UN representative Abul Panahi told the American Ambassador on 6 June. As a result of growing alarm over the financial crisis, Mossadeq will no longer be tolerated.

Panahi stated that if the Shah did not soon replace the Prime Minister, a military coup would take place.

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Comment: Prime Minister Mossadeq's position has appreciably weakened during the last two months. There is no firm evidence, however, that his control of the government is as yet seriously threatened or that the Shah is ready to take action against him.

While current press reports of an attempted army coup support Panahi's account of army intrigue against the Prime Minister, there is no evidence that the army leadership is either willing or able to carry out a successful coup without the Shah's approval.

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